United Nations A/66/718/Add.1

General Assembly

Distr.: General
29 February 2012

Original: English

Sixty-sixth session
Agenda item 156
Financing of the United Nations Observer Mission in Georgia

Financing of the United Nations Observer Mission in Georgia

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report on the final disposition of the assets of the United Nations Observer Mission in Georgia (UNOMIG) (A/66/569). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information.

2. The mandate of UNOMIG was established by the Security Council in its resolution 858 (1993), expanded in its resolution 937 (1994) and extended until 15 June 2009 in its resolution 1866 (2009). The mandate of the Mission was not extended beyond 15 June 2009. Activities to liquidate the Mission, including the disposition of its assets, commenced for a four-month period from 1 July 2009 and were completed on 31 October 2009.

II. Final disposition of assets

3. The report of the Secretary-General provides detailed information on the final disposition of assets, which had an inventory value of $22,710,000 (residual value of $7,599,600) as at 1 July 2009. As explained in paragraph 3 of his report, the Secretary-General indicates that the process of liquidating the assets of UNOMIG was guided by the principles and policies contained in regulation 5.14 of the Financial Regulations and Rules of the United Nations. For the purposes of the liquidation, the assets were categorized in three groups (A/66/569, table 1).

4. Group I includes assets identified as meeting the requirements of peacekeeping operations or United Nations activities funded from assessed contributions. The items have an inventory value of $10,734,600 (residual value of $3,980,400) and

Please recycle

have been transferred to other missions or to the United Nations Logistics Base at Brindisi, Italy, for temporary storage.

5. Group II includes assets disposed of in the mission area with an inventory value of $6,667,200. The group comprises assets with an inventory value of $3,667,100 (residual value of $1,106,900) transferred to the Office of the United Nations High Commissioner for Refugees (UNHCR) in Georgia as well as assets with an inventory value of $3,000,100 (residual value of $821,900) disposed of through commercial sale at a total sale value of $363,700.

6. The Advisory Committee notes that regulation 5.14 stipulates that equipment not required for current or future peacekeeping operations or other United Nations activities funded from assessed contributions but which may be useful for the operations of other United Nations agencies, international organizations or non-governmental organizations will be sold to such agencies or organizations. The Committee further notes that equipment with an inventory value of $3,000,100 was transferred to UNHCR in Georgia at no cost. Upon enquiry, the Committee was informed that the bulk of the assets were containers and associated items such as air conditioners and heaters used in the Mission's offices in Sukhumi and located on privately leased land. The assets had been offered to other missions but had been declined and an analysis had shown that the cost of shipping them to Brindisi for storage was prohibitively high, hence their not being categorized as group I.

7. The Advisory Committee was further informed that UNHCR, as the lead agency for the United Nations country team, had agreed to take over the lease of the Mission compound and the assets. It was indicated, however, that the Office expressed its inability to pay for the assets, even at their residual value. It was also indicated that any commercial sale would not have yielded a net gain to the Organization but instead, would have entailed possible additional expenditure for disposal of the assets. The assets were therefore transferred, on an exceptional basis, at no cost to UNHCR in accordance with financial rule 105.22 (e), which, inter alia, states that "the interests of the United Nations will be served through the disposal of the property by gift or by sale at nominal price to an intergovernmental organization, a Government or governmental agency or some other non-profit organization". **The Committee notes the justification provided for the transfer of assets at no cost to UNHCR. The Committee, however, maintains that every effort should have been made to at least obtain nominal value in return for the transfer of the Organization's assets to another entity.**

8. With regard to the wide disparity between the residual value and the sale value of the assets that had been disposed of by commercial sale, the Advisory Committee was informed that the residual value had been calculated based on the depreciation scales established in annex H of the Liquidation Manual while the sale value reflected local market conditions and that the sale price had been determined through a competitive bidding process. It was also indicated that in order to ensure that asset disposal through commercial bidding attracted sufficient bidding interest, setting a floor price of the assets based on residual values was not required. The Committee was also informed that the residual values of the United Nations assets were intended to be a standardized set of values to allow for uniformity of asset management in field missions. **While the Committee concurs that residual values do not represent the sale value, the wide disparity between them, in the case of UNOMIG, calls into question the usefulness of the residual value as an**

appropriate indicator of the monetary worth of the assets. Citing an instance where nine laptop computers with a total inventory value of $18,771 (residual value of $5,895) were sold for $240, the Committee questions whether the objectives of the Organization might not have been better served by donating such equipment to local institutions.

9. Group III includes assets that have been written off mainly as a result of accidents, damage, normal wear and tear, or because it was not economical to repair them. These assets have a total inventory value of $5,308,200 (residual value of $1,690,400) and include assets of an inventory value of $57,200 that were reported lost.

10. The Advisory Committee notes that the assets of $5.3 million in the written-off or lost category represented 23 per cent of the total inventory value of UNOMIG assets. Upon request, the Committee was provided with a comparison of UNOMIG and six recently closed peacekeeping missions, namely, the United Nations Mission in Ethiopia and Eritrea (UNMEE), the United Nations Operation in Burundi (ONUB), the United Nations Mission of Support in East Timor (UNMISET), the United Nations Assistance Mission for Rwanda (UNAMIR) and the United Nations Mission in the Central African Republic (MINURCA) (see annex). Excluding UNMEE, which at 53 per cent had an inordinately high percentage of assets written off or lost, the Committee notes that the average percentage of assets written off or lost was 12.2 per cent. **The Committee notes the high percentage of assets reported by UNOMIG as written off or lost as compared with other recently closed peacekeeping missions. In addition, the Committee recalls the concern raised by the Board of Auditors about the deficiencies in the physical verification of assets (A/65/5 (Vol. II, para. 126)). In that regard, the Committee maintains that the proper accounting of assets must be ensured throughout the life cycle of missions to avoid increased incidence of the assets being reported as written-off or lost by missions at the liquidation phase.**

11. Upon enquiry, the Advisory Committee was informed that the assets written off had exceeded their life expectancy and had not been considered for transfer to other missions. It was further indicated that the average age of the assets written off due to normal wear and tear during the liquidation period had been 10.5 years, resulting in an increase of write-off activities during the liquidation period. With regard to the mine-detecting equipment with an inventory value of approximately $51,000 which was written off, the Committee was informed that its average age was 14 years and it was considered either as not being in good condition or as having less than two years of remaining useful life. Transferring such equipment would not have been economical considering the cost of shipping and the cost of maintenance while the assets remained in storage. The Committee was also informed that the equipment had been destroyed and sold as scrap.

12. The Advisory Committee notes that none of the assets in group III were donated to the Government of Georgia. Upon enquiry, the Committee was informed that generally, assets were donated to host Governments if they met certain criteria, such as promoting the goals of the mission after the completion of its mandate. The Committee was further informed that the assets also had to be deemed acceptable by the host Government and not require high maintenance costs. Based on the acceptance of the host Government, the proposed donation would then be approved by the General Assembly in compliance with financial regulation 5.14 (e). It was

indicated that because UNOMIG did not have many assets that met these criteria and because its liquidation period was relatively short, no assets were proposed for donation.

III. Recommendation

13. The action to be taken by the General Assembly in connection with the final disposition of the assets of UNOMIG is indicated in paragraph 9 of the Secretary-General's report (A/66/569). **Subject to its comments contained in the preceding paragraphs, the Advisory Committee recommends acceptance of the Secretary-General's proposal.**

Annex

Comparison of disposed assets in groups I and III for recently closed peacekeeping missions

(Thousands of United States dollars)

Document symbol	*Peacekeeping mission*	*Group I: assets transferred to other missions* (1)	*Per cent of total value* (1)/(5)	*Group III: assets written off or lost* (4)	*Per cent of total value* (4)/(5)	*Total inventory value of disposed assets* (5)
A/66/569	UNOMIG	10 735	47	5 308	23	22 710
A/65/678	UNMEE	17 459	31	30 336	53	57 034
A/63/551	ONUB	51 337	87	3 080	5	59 152
A/62/756	UNAMSIL	37 723	61	3 164	5	61 909
A/60/703	UNMISET	25 903	47	4 332	8	55 251
A/57/753	UNAMIR	38 352	59	5 895	9	64 473
A/57/631	MINURCA	6 545	53	2 863	23	12 467